

CONTRA COSTA
COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH AUDITORS' REPORTS THEREON

JUNE 30, 2003

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CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Objectives of the Single Audit
June 30, 2003

Objectives

The single audit of the Contra Costa Community College District (the "District") had the following objectives:

- To determine the fairness of presentation of the District's basic financial statements in accordance with accounting principles generally accepted in the United States of America.
- To obtain reasonable assurance about whether the District's basic financial statements are free of material misstatement by testing the District's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statement amounts.
- To determine that the District complied, in all material respects, with the compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 compliance supplement that are applicable to each major program.
- To test and report on the District's internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs.
- To recommend appropriate actions to correct areas where internal controls could be improved or where noncompliance with applicable federal regulations was noted during the audit.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Organization
June 30, 2003

The Contra Costa Community College District (the "District") was established in 1948 as a separate district and began operating in 1949. The District serves Contra Costa County, California, with three colleges: Diablo Valley College located in Pleasant Hill, Contra Costa College located in San Pablo, and Los Medanos College located in Pittsburg. The administrative offices of the District are located in Martinez, California. The District also operates satellite education centers in San Ramon and Brentwood. The boundaries of the District are contiguous with the boundaries of the County of Contra Costa, excluding only 48 of the County's 734 square miles. All colleges are accredited two-year colleges offering a wide range of study including vocational and technical education.

The members of the Board of Education of Contra Costa Community College District holding office during the audit period, and their term of office expiration dates are as follows:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
David N. MacDiarmid	President	December 2006
David W. Girard	Vice President	December 2004
Jess H. Reyes	Secretary	December 2004
Sheila A. Grilli	Member	December 2006
John T. Nejedly	Member	December 2006
Karla Fuentes-Rivera	Student Member	(September 2003 - May 2004)

ADMINISTRATION

Mr. Charles C. Spence
Chancellor

Mr. John E. Hendrickson
Vice-Chancellor, Finance and Administration

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
FINANCIAL SECTION
JUNE 30, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the accompanying basic financial statements of the Contra Costa Community College District (the "District") as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the standards identified by the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2003 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The Management's Discussion and Analysis ("MD&A") on pages 7 through 18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

As disclosed in Note 19, the District changed its presentation of Student Financial Aid, Loan and Scholarship funds which were reported as fiduciary funds in the prior year financial statements. This change was made to conform with the presentation adopted by the majority of California Community Colleges that adopted Governmental Accounting Standards Board Statement No. 35 in 2002.

A handwritten signature in black ink, reading "Armanino McKenna LLP". The signature is written in a cursive, flowing style.

ARMANINO McKENNA LLP

November 13, 2003

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

New Accounting Standards (Second Year)

In June 1999, the Governmental Accounting Standard's Board ("GASB") released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established new reporting formats for annual statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applied the new reporting models to public colleges and universities. In its "Accounting Advisory No. 2001-01", the State Chancellor's Office opined that the California Community Colleges would best benefit from, and would "therefore implement," the business-type activities ("BTA") reporting model, as outlined in GASB Statement No. 34. According to the GASB's implementation schedule, the District's effective implementation date began with fiscal year 2001-2002.

Because the new reporting model is such a departure from that used in prior years, the District has asked its auditors to also present (in supplemental schedules) the District's financial statements using the fund statements format, which continues as the format that the District uses in reporting to the State Chancellor's Office.

As required by the new reporting model, the annual report consists of three basic financial statements that provide information on the District as a whole:

- the Statement of Net Assets;
- the Statement of Revenues, Expenses and Changes in Net Assets; and,
- the Statement of Cash Flows.

These statements are designed to emulate corporate presentation models, whereby all District activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to "bottom line" results for the District. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on both the gross costs, and the net costs, of District activities, which are supported mainly by property taxes, state apportionment, and other state revenues. This approach is intended to summarize and simplify the analysis of cost of various District services to students and the public.

The following discussion and analysis provides an overview of the District's financial activities. Last year was a transition year, for the new format, only one year of information was presented in the audited financial statements. Being the second year of reporting in the new format, both the financial statements, and the discussion and analysis, for 2002-2003, will include comparisons of current to prior year activity.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the District. Overall, the financial position of the District improved during the fiscal year ended June 30, 2003. Total net assets increased \$1.2 million, or about 1.1%, over the previous year, due primarily to the net-increases associated with the receipt of Measure "A" bond proceeds.

Condensed Statement of Net Assets

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current assets				
Cash and short-term investments	\$ 52,087,681	\$ 35,444,752	\$16,642,929	47.0%
Receivables	13,000,886	26,627,338	(13,626,452)	(51.2%)
Inventory, prepaid expenses and other	<u>4,065,114</u>	<u>3,474,389</u>	<u>590,725</u>	<u>17.0%</u>
Total current assets	69,153,681	65,546,479	3,607,202	5.5%
Non-current assets				
Net capital assets and restricted funding	<u>141,689,542</u>	<u>80,887,782</u>	<u>60,801,760</u>	<u>75.2%</u>
Total assets	<u>\$210,843,223</u>	<u>\$146,434,261</u>	<u>\$64,408,962</u>	<u>44.0%</u>
Current liabilities				
Accounts payable, and accrued liabilities	\$ 11,040,197	\$ 15,559,619	\$(4,519,422)	(29.0%)
Deferred revenues	7,421,566	9,522,227	(2,100,661)	(22.1%)
Bonds and notes payable - current portion	17,700,130	40,000	17,660,130	44,150.3%
Other long-term liabilities - current portion	<u>1,066,086</u>	<u>338,795</u>	<u>727,291</u>	<u>214.7%</u>
Total current liabilities	37,227,979	25,460,641	11,767,338	46.2%
Non-current liabilities				
Long-term liabilities	<u>58,246,337</u>	<u>7,371,468</u>	<u>50,874,869</u>	<u>690.2%</u>
Total liabilities	95,474,316	32,832,109	62,642,207	190.8%
Net assets				
Investment in capital assets, net of debt	37,689,741	78,778,182	(41,088,441)	(52.2%)
Restricted	43,495,424	1,744,340	41,751,084	2,393.5%
Unrestricted	<u>34,183,742</u>	<u>33,636,869</u>	<u>546,873</u>	<u>1.6%</u>
Total net assets	<u>\$115,368,907</u>	<u>\$114,159,391</u>	<u>\$ 1,209,516</u>	<u>1.1%</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

The components of cash and short-term investments are primarily: 1) the funded-portion of the District's liability for life-time, retiree health benefits, \$21.9 million, 2) the funded-portion of the District's liability for accrued compensated absences, \$5.5 million, 3) the cash pledged for the 7/31/03 repayment of the District's (short-term-borrowing) Tax Revenue Anticipation Note ("TRAN"), \$15.2 million, 4) 2002-03 College budget carry-overs, \$5.0 million, 5) \$2.8 million for state-mandated reserves, and, 6) the net cash effect of non-cash assets, receivables, and liabilities. The primary component of the 2002-03 cash-increase was the \$15.2 million in borrowed TRAN funds that had yet to be repaid.

Accounts receivable primarily represents state funding owed to the District for capital and non-capital apportionments and grants. The total owed to the District by the state is approximately \$9.0 million. Local property taxes comprise \$0.6 million, of the amounts due to the District, and, federal grants-receivable make up another \$0.7 million. The remaining accounts receivable are made up of student-receivables, book vendor credits, and miscellaneous items. The primary components of the 2002-03 decrease in accounts receivable were the \$10.6 million decrease in State receivables, and a \$3.1 million decrease in receivables from local property taxes.

Inventories and prepaid items \$1.8 and 2.1 million, respectively, represent bookstore merchandise-inventories, and prepayments for: July 2003 health insurance; and the first half of the 03-04 workers compensation premium. For 2002-03, inventories increased by approximately \$100,000, and prepayments increased by \$400,000.

Net capital assets and restricted funding primarily represent: 1) the District's original investment in land, site improvements, buildings and equipment, less the cost of accumulated depreciation, \$97.9 million, 2) the unspent proceeds from the \$50 million-issuance of 2002 Measure "A" bonds, \$35.0 million, 3) the funds accumulated at the County Treasury for the redemption of bonds, \$2.9 million, 4) the unspent cash held in categorical-program and trust funds, \$2.5 million, and, 5) the long-term investments held for the funding of the District's liability for life-time, retiree health benefits, \$2.2 million. The principal component of the 2002-03 non-current assets increase was the receipt of the \$50 million Measure "A" bond funding. The remainder resulted from funded, Capital Projects, \$8.5 million, and, other-fund equipment purchases.

Accounts payable and accrued liabilities primarily represent year-end accruals for services and goods received by the District, during fiscal 2002-03, for which payment would not be made until 2003-04. The accounts payable amount primarily represents debt on vendor invoices, but does include a \$600,000 accrual for unresolved 2001-02 energy costs related to our participation in a consortium contract with the Enron Corporation. Accrued liabilities principally represent: 1) 2002-03 payroll-expenditures not paid until 2003-04, \$3.4 million, and, 2) accrued bond interest-payable as of June 30, \$1.0 million. At 6/30/02, the payroll-expenditure liability included \$3.3 million in unpaid, negotiated-salary-settlements. The absence of such an amount (as of 6/30/03) accounts for the majority of the 2002-03 reduction.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

Deferred revenues represent prepayments, made to the District, for which services have yet to be rendered. \$4.4 million of this amount represents student tuition and registration fees, received during 2002-03, for the fiscal year 2003-04 summer and fall terms. The other \$3.0 million represents funding for grants and contracts, whose terms and conditions extend beyond 2002-03 fiscal year. The \$2.1 million decrease from 2001-02 to 2002-03 is directly due to reductions in categorical-program deferred revenues.

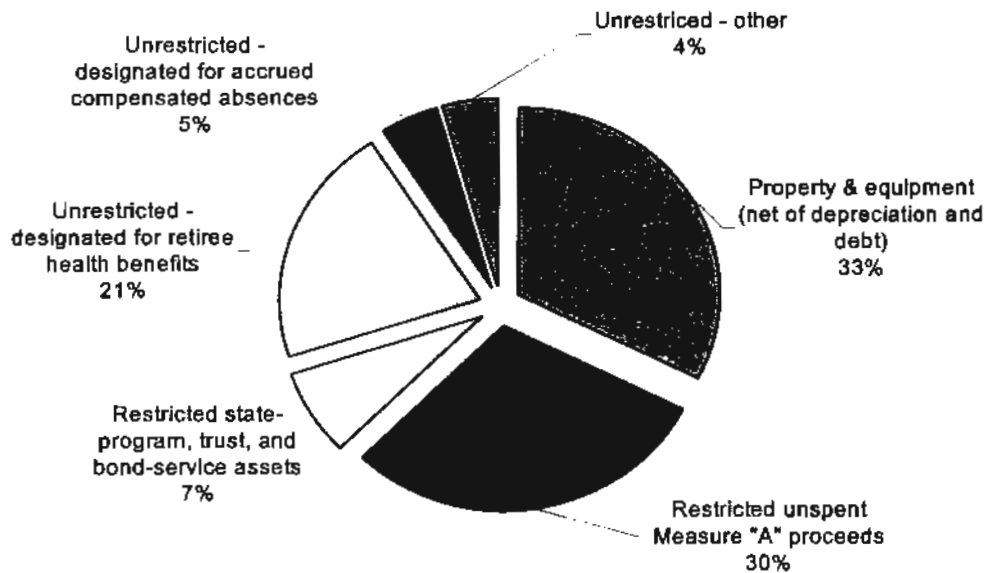
Bonds and notes payable are primarily comprised of: 1) \$15.1 million for the principle and interest due for the 7/31/03 TRAN-repayment, 2) \$1.5 million due for the current portion payable on the 2002 Measure "A" bonds. Both items were absent in 2001-02.

Other current liabilities are composed of: 1) that portion of long-term leases to be paid during the 2003-04 fiscal year, \$346,000, 2) \$117,000 for the year-end accrual of the District's "deductible" for all outstanding insurance claims, and, 3) \$600,000 for the funds held in trust for student organizations. Inclusion of student organizations, in the combined balance sheet, is new for 2002-03, and accounts for most of the increase.

The District's non-current liabilities primarily consist of: 1) the long-term debt remaining on the 2002 Measure "A" bonds, \$48.9 million, 2) the accumulated liability for accrued, employee compensated absences, \$7.2 million, 3) the long-term debt remaining on the certificates of participation that were used to help construct the Diablo Valley College, Student Body Center, \$1.3 million, and, 4) numerous capitalized lease obligations for the purchase of equipment throughout the District, \$0.8 million. The Measure "A" bonds-liability was new for 2002-03, and accounts for most of the increase.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

Net Assets - June 30, 2003



The largest component of the District's "net assets" is the investment in capital assets (net of related debt) \$37.70 million. This represents the District's initial cost for property, plant, and equipment, less accumulated depreciation, less any remaining debt used for the initial purchase. Capital assets, net of accumulated depreciation, are \$97.9 million. It is the application of the "netting-effect" of related debt; in particular, the debt associated with the recent \$50 million-issuance in Measure "A" bonds, that results in the reduced 2002-03 amount.

The next largest component of the District's "net assets" is the \$43.5 million in restricted, expendable-assets. Unspent cash and investments from the proceeds of the Measure "A" bond issuance (net of accounts payable) make up \$35.0 million of this amount. The remaining \$8.4 million is comprised of \$3.2 million (net) in State capital-project funding, \$2.5 million (net) for bond debt-service, and, \$2.7 million (net) for prepaid-items, categorical and trust funds.

The last component, at \$34.2 million, is the District's unrestricted assets, of which \$24.3 million has been Board-designated as debt-funding for the District's liability for retiree health benefits, and another \$5.5 million as debt-funding for the District's liability for accrued employee compensated absences.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets (see next page) presents the financial results of the District's "operations", as well as its "non-operating activities." The distinction between these two activities involves the concepts of "exchange" and "non-exchange." An operating activity is one in which a "direct payment"/exchange is made (by one party to another) for the receipt of specified goods or services, i.e., the payor is the one receiving benefit. As an example, tuition fees, paid by a student, is an "exchange" for instructional services. Likewise, grant and contract-funding received (on the condition that the District provides specific/contracted services), is also an "exchange." Both are therefore recorded as "operating revenue". The receipt of state apportionments and property taxes, however, do not include this "exchange" relationship between "payment" and the "receipt of benefit". Such revenues are deemed "non-exchange" transactions, and are therefore treated as "non-operating" activities.

Because the primary sources of funding, that support the District's instructional activities, comes from state apportionment, and local property taxes, the financial results of the District's "operations" will result in a net operating expense.

The primary components of "tuition and fees" are the \$11 per unit enrollment fee that is charged to all students registering for classes, and, the additional \$138 per unit fee that is charged to all non-resident students. The discrepancy between these fee-rates is due to the fact that resident student instruction is largely subsidized by local property taxes and state apportionment. Non-resident students must pay for the full cost of instruction. Respectively, these two revenue-streams account for \$5.6 and \$4.5 million. \$1.4 million of the "gross total" is due to Board of Governor's (fee) Waivers, which is offset by an equal amount in "scholarship discounts". Another \$1.6 million is collected in the form of parking permits. The remainder is collected from an assortment of other student fees.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

**Statement of Revenues, Expenses & Changes
in Net Assets**

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues				
Tuition and fees	\$ 12,897,202	\$ 11,456,253	\$ 1,440,949	12.6%
Grants and contracts, noncapital	26,660,955	22,954,547	3,706,408	16.1%
Auxiliary enterprises	<u>14,662,142</u>	<u>13,722,144</u>	<u>939,998</u>	<u>6.9%</u>
Total operating revenues	<u>54,220,299</u>	<u>48,132,944</u>	<u>6,087,355</u>	<u>12.6%</u>
Operating expenses				
Salaries and benefits	138,614,485	126,732,976	11,881,509	9.4%
Payments to students	10,225,418		10,225,418	N/A
Supplies, materials, and other expenses	39,821,575	39,314,464	507,111	1.3%
Utilities	2,987,411	4,493,060	(1,505,649)	(33.5%)
Depreciation	<u>6,257,956</u>	<u>8,239,733</u>	<u>(1,981,777)</u>	<u>(24.1%)</u>
Total operating expenses	<u>197,906,845</u>	<u>178,780,233</u>	<u>19,126,612</u>	<u>10.7%</u>
Operating (expenses) net	<u>(143,686,546)</u>	<u>(130,647,289)</u>	<u>(13,039,257)</u>	<u>10.0%</u>
Nonoperating revenues (expenses)				
State apportionments, noncapital	52,664,022	54,843,202	(2,179,180)	(4.0%)
Local property taxes	69,581,892	60,976,927	8,604,965	14.1%
State taxes and other revenue	8,337,395	8,306,779	30,616	.4%
Investment income	3,719,936	2,342,238	1,377,698	58.8%
Other non-operating revenues and expenditures	<u>(3,512,983)</u>	<u>148,783</u>	<u>(3,661,766)</u>	<u>(2,461.1%)</u>
Total nonoperating revenues	<u>130,790,262</u>	<u>126,617,929</u>	<u>4,172,333</u>	<u>3.3%</u>
Loss before other revenues, expenses, gains or losses	(12,896,284)	(4,029,360)	(8,866,924)	220.1%
State and local revenue, grants & gifts (capital)	<u>14,105,800</u>	<u>9,687,450</u>	<u>4,418,350</u>	<u>45.6%</u>
Increase in net assets	1,209,516	5,658,090	(4,448,574)	(78.6%)
Net assets - beginning of year	<u>114,159,391</u>	<u>108,501,301</u>	<u>5,658,090</u>	<u>5.2%</u>
Net assets - end of year	<u>\$115,368,907</u>	<u>\$114,159,391</u>	<u>\$ 1,209,516</u>	<u>1.1%</u>

The largest component of the District's operating revenues is non-capital grants and contracts. The largest sub-component, \$12.1 million, results from funding received from the state for categorical programs, such as DSP&S, EOP&S, Matriculation, etc.; Federal grants totaling \$11.6 million, include \$8.1million in student financial aid, and another \$3.5 million in funding for vocational, teacher training and higher education programs. Included within local grants and contracts, \$2.9 million, are all of the college's contract-education services, as well as all other, miscellaneous service-revenues received by the District.

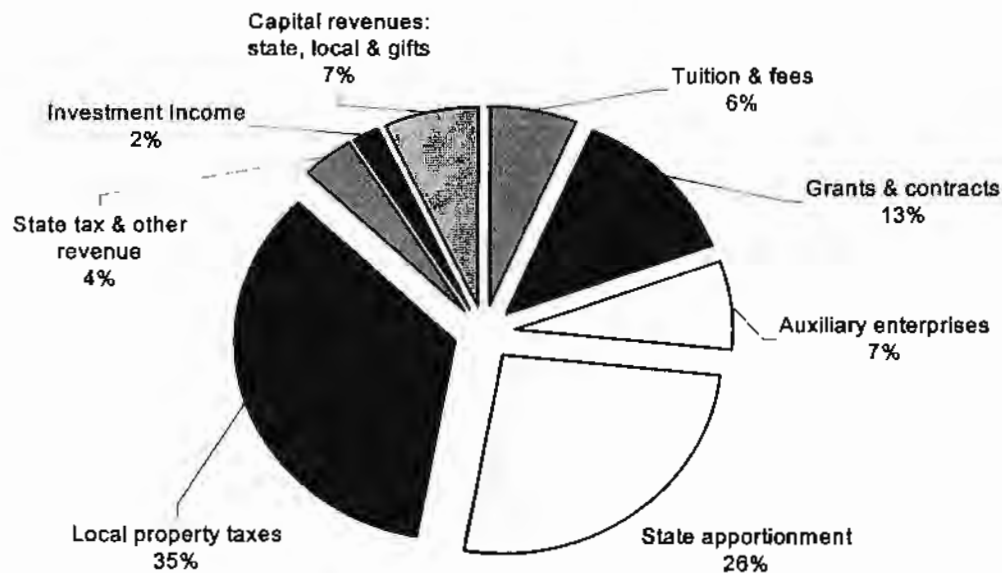
CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

The revenue, for auxiliary enterprises, principally consists of revenue from the District's bookstore, cafeteria and I.T. operations. These three enterprise operations account for \$11.0, \$1.3 and \$2.2 million respectively.

The principal components of the District's non-operating revenue are: non-capital state apportionment, local property taxes, other state funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities. The investment income (non-capital) is primarily earned on: 1) investments designated for the funding of the District's liability for retiree health benefits, \$1.3 million, and 2) interest earned from the issuance of a 2002 tax revenue anticipation note, \$0.6 million. The rest of the non-capital interest is earned on funds held in the County Treasury during the fiscal year. The investment income (capital) represents interest earned on the unspent cash and investments from the Measure "A" bonds.

The components of "capital-revenues" are: 1) \$8.2 million in state apportionment, and local revenues, utilized for capital projects and deferred maintenance programs, and 2) \$5.9 million in "grants & gifts" which represents the "less-than-market-value-discount" that the District received on the purchase price of the San Ramon Valley Center property.

Total Revenues - June 30, 2003

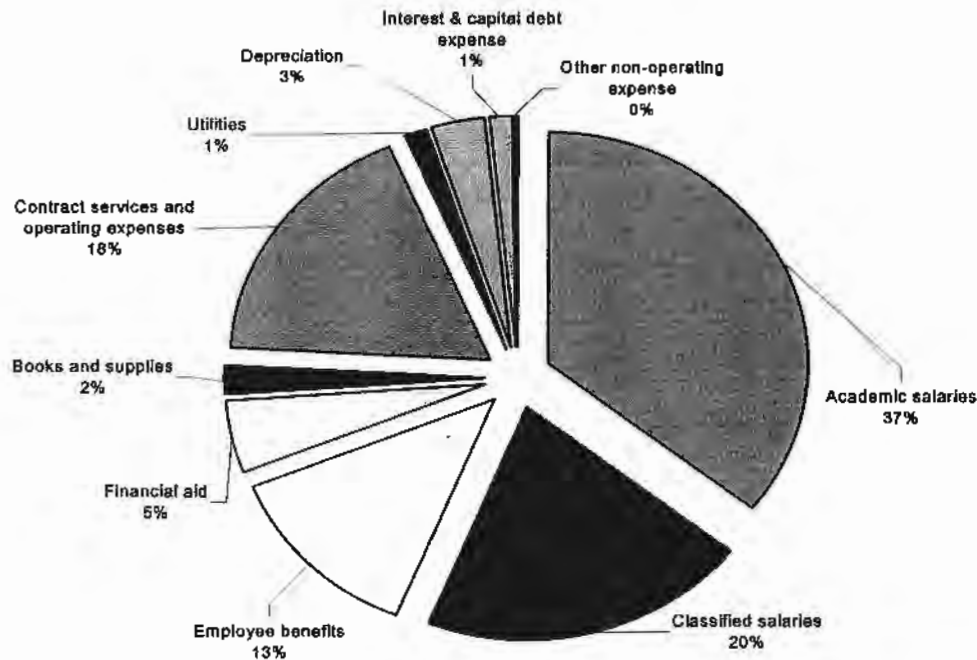


CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

The largest component of the District's total expense (operating and non-operating) is the cost associated with salaries and benefits. Nearly 69% percent of operating expenditures are spent in this area.

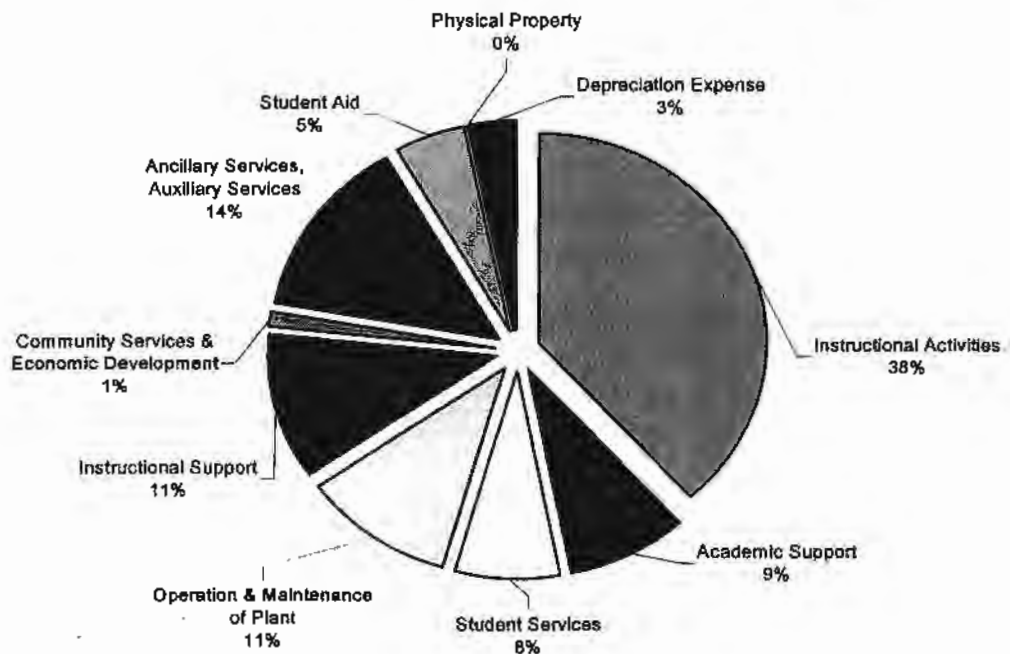
"Payments to Students (financial aid)" is an amended "reported category" for 2002-03, and accounts for 5% of total expenditures. (Financial aid revenue and expense was not reported for 2001-02). "Supplies, materials, and other expenses" account for an additional 21% of the total. This latter category includes \$3.9 million for the cost of books and supplies, \$8.9 million for cost of goods sold in the auxiliary operations, and, \$7.4 million spent in connection with programs funded by grants and contracts. The remainder of this expenditure-category includes insurance premiums, facilities rental, equipment repair, and a host of other expenditures necessary to the operation of the District. Utilities, depreciation, and non-operating expenses make up the remaining 5% of total expenditures.

Total Expenses - June 30, 2003



CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

Operating Expenses by Functional Classification, 2002-03



Operating Expenses by Functional Classification

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Instructional activities	\$ 76,046,790	\$ 72,364,780	\$ 3,682,010	5.1%
Academic support	16,855,794	13,482,315	3,373,479	25.0%
Student services	15,041,732	20,116,463	(5,074,731)	(25.2%)
Operation & maintenance of plant	21,223,192	12,029,279	9,193,913	76.4%
Instructional support	22,567,669	26,836,516	(4,268,847)	(15.9%)
Community services & economic development	1,966,559	2,574,375	(607,816)	(23.6%)
Ancillary services, auxiliary services	27,549,944	19,995,039	7,554,905	37.8%
Student aid	10,225,417	1,459,844	8,765,573	600.4%
Physical property	171,792	1,681,889	(1,510,097)	(89.8%)
Depreciation expense	<u>6,257,956</u>	<u>8,239,733</u>	<u>(1,981,777)</u>	<u>(24.1%)</u>
Total	<u>\$197,906,845</u>	<u>\$178,780,233</u>	<u>\$19,126,612</u>	<u>10.7%</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

As the Functional Expense comparative shows, expenses for instruction activities and academic support rose during 2002-03. These increases were primarily the result of negotiated salary increases, and the steep increase in retirement and health benefits. 2002-03 cutbacks, in specific state funding, directly contributed to the decreases in student services, instructional support, community services and instructional equipment programs. Because financial aid was not included in the 2001-02 report, the 2002-03 increase in student aid is primarily due to the reporting change. Much of the early expenditure from the Measure "A" proceeds have been for repair and maintenance, which accounts for the 2002-03 increase in Operations and maintenance of plant. Second year inclusion of trust funds, increased proprietary-fund activity, and increased bond and other debt expenditures lead to the increase in ancillary/auxiliary services. 2001-02 was the first year reporting depreciation expense, and the District had several assets to depreciate fully in the first year. The District did not have the same depreciation-issue, which resulted in a reduced 2002-03 expense.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the "sources" and "uses" of cash during the year. The statement is divided into five parts:

- Cash flows from operating ("exchange") activities
- Cash flows from non-capital financing activities
- Cash flows from capital and related-financing activities.
- Cash flows from investing activities
- Reconciliation between beginning and ending cash

The ending cash balance matches the total of the District's current and non-current, cash and cash equivalents. The principal reason for the District's cash-increase was the receipt of proceeds from the Measure "A" bond.

Economic Factors that will affect the Future

The District is dependent on the State of California for a majority of its revenue. State law and regulation further specifies the allowed uses of state revenue. The most important element of state funding is in the General Apportionment calculation which accounts for 82% of the District's primary "operating fund," the Unrestricted General Fund.

Although the District receives local income from property tax proceeds and student enrollment fees, these local income sources are but a component of the state Base Apportionment calculation. Local income is deducted from the computed total funding level, to determine the amount of state funds necessary to fund the District's Base Apportionment. In this manner, the finances of the District are directly tied to the state economy, state revenues, and the state legislative process to allocate revenues for public purposes.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2003

The economic downturn, which began in the 2001-02 fiscal year, has resulted in a major loss of state personal income tax and other tax revenues. The state, in turn, has elected to curtail funding for some community college categorical programs and to under-fund general fund programs, compared to the prior level of state financial support, and compared to the cost of inflation.

The District has significantly reduced operational spending to respond to this reduction in income. District budget plans to increase the reserves (over the past two years) provided a source of internal funds to somewhat buffer the effects of state funding losses. This action is shown in the change to the Unrestricted Fund, fiscal year ending balance in 2002-03 compared to the prior year.

Looking forward to 2003-04, the state legislature directed the State Community College Chancellor's office to reduce statewide base apportionment funding by \$25 million due to the "perceived" inappropriate enrollment (state-wide) of high school age students in physical education courses. The district will be forced to participate in this unexpected loss of general fund income. The estimated "hit" for the 2003-04 fiscal year is expected to be between \$1.3 to \$1.7 million, and will further reduce the District's Unrestricted Fund balance.

In March, 2002 the voters of the district passed Measure A, a Proposition 39 facilities and equipment bond in the amount of \$120 million. This voter approved indebtedness income source will permit the district to significantly catch-up with the scheduled maintenance project backlog, provide a non-general fund source to match state facility maintenance categorical funds in tough budget years and build new instruction and student activities facilities. Although district operating income is down, money for our building needs is improved through the passage of Measure A.

The Governor's Office, State Legislative Analyst's Office and private institutional forecast indicated that the state economy will improve beginning in the 2004-05 fiscal-year. The economic recovery will improve state revenues and the size of the Proposition 98 funding guarantee for school districts and community college districts. We anticipate the fiscal year 2005-06 will provide for restoration of a portion of prior budget year program reductions, funded growth and funding to help offset inflationary prices increases.

The District is closely following state economic forecasts and the announcements from Governor Schwarzenegger's Office, on administration spending-priorities. Balancing the budget, in 2003-04 and in future-years, will require careful financial analysis. The District's challenge will be the development of strategic planning that continues to emphasize the community's access to higher education, while controlling costs to compensate for reduced revenues caused by the weakened state-economy.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Statement of Net Assets

June 30, 2003

ASSETS

Current assets	
Cash and cash equivalents	\$ 34,077,327
Investments, short-term	18,010,354
Accounts receivable	11,637,841
Taxes receivable	579,199
Interest receivable	783,846
Inventories	1,759,065
Prepaid items	2,111,504
Other assets	80,010
Notes receivable	114,535
Total current assets	<u>69,153,681</u>
Noncurrent assets	
Restricted cash	11,172,256
Long-term investments	32,605,696
Capital assets, net	97,911,590
Total noncurrent assets	<u>141,689,542</u>
Total assets	<u>\$ 210,843,223</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 7,265,326
Student refunds payable	323,418
Accrued liabilities	3,451,453
Deferred tuition and fees revenue	4,356,548
Deferred grants and contracts	2,963,924
Other deferred revenue	101,094
Amounts held in trust for others	603,062
Claims payable	117,050
Interest payable	1,460,130
Notes payable	14,695,000
Capitalized lease obligations, current portion	345,974
Certificates of participation, current portion	45,000
Bonds payable, current portion	1,500,000
Total current liabilities	<u>37,227,979</u>
Noncurrent liabilities	
Capitalized lease obligations, net of current portion	800,377
Compensated absences	7,259,106
Certificates of participation, net of current portion	1,310,000
Bonds payable, net of current portion	48,876,854
Total noncurrent liabilities	<u>58,246,337</u>
Total liabilities	<u>95,474,316</u>

NET ASSETS

Net assets	
Investment in capital assets, net of related debt	37,689,741
Restricted, expendable	43,495,424
Unrestricted	34,183,742
Total net assets	<u>115,368,907</u>
Total liabilities and net assets	<u>\$ 210,843,223</u>

The accompanying notes are an integral part of these financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2003

Operating revenues	
Tuition and fees	\$ 12,897,202
Grants and contracts, noncapital	
Federal	11,595,549
State	12,137,252
Local	2,928,154
Auxiliary enterprises	14,662,142
Total operating revenues	<u>54,220,299</u>
Operating expenses	
Salaries	112,915,359
Employee benefits	25,699,126
Payments to students	10,225,418
Supplies, materials, and other expenses	39,821,575
Utilities	2,987,411
Depreciation	6,257,956
Total operating expenses	<u>197,906,845</u>
Operating loss	<u>(143,686,546)</u>
Nonoperating revenues (expenses)	
State apportionments, noncapital	52,664,022
Local property taxes	69,581,892
State taxes and other revenue	8,337,395
Investment income, noncapital	2,132,718
Investment income, capital	1,587,218
Interest expense - capital asset-related debt	(2,962,068)
Other non-operating expenses	(550,915)
Total nonoperating revenues, net	<u>130,790,262</u>
Loss before other revenues, expenses, gains, or losses	(12,896,284)
Local property taxes and revenues, capital	580,709
State apportionments, capital	7,614,241
Grants and gifts	5,910,850
State and local revenue, grants and gifts	<u>14,105,800</u>
Increase in net assets	1,209,516
Net assets	
Beginning of year, as previously reported	113,602,152
Adjustment (Note 19)	557,239
Beginning of year	<u>114,159,391</u>
End of year	<u>\$ 115,368,907</u>

The accompanying notes are an integral part of these financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2003

Cash flows from operating activities	
Tuition and fees	\$ 12,256,881
Federal grants and contracts	13,272,569
State grants and contracts	9,562,048
Local grants and contracts	3,439,790
Payments to suppliers	(25,107,367)
Payments to utilities	(2,987,411)
Payment to/on behalf of employees	(114,944,271)
Payments for benefits	(26,916,411)
Student loans/grants	(10,254,786)
Auxiliary enterprise sales and charges	14,646,750
Net cash used in operating activities	<u>(127,032,208)</u>
Cash flows from non-capital financing activities	
State apportionments and receipts	57,479,656
Property taxes	72,734,770
State taxes and other revenues	8,304,895
Grants and gifts for other than capital projects	10,850
Other receipts (payments)	(464,329)
Net cash provided by non-capital financing activities	<u>138,065,842</u>
Cash flows from capital and related financing activities	
State apportionments for capital purposes	12,835,899
Purchases of capital assets	(16,572,966)
Interest paid on capital debt	(1,501,938)
Principal paid on capital debt	(486,072)
Interest on capital investments	983,955
Local property taxes and other revenues for capital purposes	580,709
Issuance of capital debt, net	50,405,879
Net cash provided by capital and related financing activities	<u>46,245,466</u>
Cash flows from investing activities	
Proceeds from sales and maturities of investments	14,817,781
Interest on investments	1,694,413
Purchase of investments	(45,515,989)
Net cash used in investing activities	<u>(29,003,795)</u>
Net increase in cash and cash equivalents	28,275,305
Cash and cash equivalents	
Beginning of year	<u>16,974,278</u>
End of year	<u>\$ 45,249,583</u>
Cash is presented as follows:	
Cash and cash equivalents	\$ 34,077,327
Restricted cash	11,172,256
Total	<u>\$ 45,249,583</u>

(continued)

The accompanying notes are an integral part of these financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2003

Cash flows from operating activities	
Operating loss	\$ (143,686,546)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,257,956
Amortization, net	
Changes in assets and liabilities	
Accounts receivable	1,135,074
Inventories	(80,686)
Prepaid expenses	(399,881)
Accounts payable	(1,050,730)
Student refunds	323,418
Accrued liabilities	(3,898,371)
Deferred tuition and fees	147,503
Deferred grants and contracts	(2,259,933)
Other deferred revenue	9,495
Claims payable	32,750
Notes payable	14,695,000
Compensated absences	1,742,743
Net cash used in operating activities	<u>\$ (127,032,208)</u>

The accompanying notes are an integral part of these financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

1. Organization and Nature of Activities

A. Reporting Entity

The Contra Costa Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Government Accounting Standards Board ("GASB") Statement No. 14, *"The Financial Reporting Entity."* The District operates three colleges in Contra Costa County, California. The colleges are Diablo Valley College in Pleasant Hill, Los Medanos College in Pittsburg, and Contra Costa College in San Pablo. All funds which are controlled by the District are included as part of the reporting entity.

Also included in the reporting entity is Contra Costa Community College Educational Financing Corporation ("Financing Corporation"). The Financing Corporation's activities to date have been limited to the issuance of Certificates of Participation ("COPs") and entering into lease arrangements with the District.

The District and Financing Corporation have a financial and operational relationship, which meets the reporting entity criteria of GASB Statement No. 14 for inclusion of the Financing Corporation as a component unit of the District. Accordingly, the financial activities of the Financing Corporation have been included in the District's financial statements.

The following are those aspects of the relationship between the District and the Financing Corporation which satisfy GASB Statement No. 14 criteria:

Accountability:

1. The majority of the Financing Corporation's Board of Directors were appointed by the District's Board of Trustees.
2. The District is able to impose its will upon the Financing Corporation.
3. The Financing Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:
 - * The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Financing Corporation.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

1. Organization and Nature of Activities (continued)

A. Reporting Entity (continued)

Financial Presentation:

For financial presentation purposes, the Financing Corporation's financial activity has been blended with the financial data of the District.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussions, and Analysis for State and Local Governments* followed in November 1999 by GASB 35, *Basic Financial Statements and Managements Discussion and Analysis for Public Colleges and Universities*. GASB Statement No. 35 is effective in three phases based on the public institution's total annual revenues in the first fiscal year ending after June 15, 1999. The District adopted the provisions of these statements along with GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus (an amendment to GASB Statements No. 21 and No. 34)*, as of July 1, 2001. In June 2001, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, to reevaluate certain existing disclosure requirements in the context of the reporting model in Statement No. 34. The District adopted the provisions of Statement No. 38 as of July 1, 2002.

The financial statement presentation, required by GASB Statements No. 34, 35, 37, and No. 38 provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required. The District now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the District's financial activities.

B. Measurement Focus and Basis of Accounting

The California Community College Chancellor's Office has recommended that all State community college districts follow the new standards under the Business Type Activity ("BTA") model. Therefore, for financial statement purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's basic financial statements are reported using the total economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

2. Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

The District has elected to apply all Financial Accounting Standards Board pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and accounting manual.

C. Cash and Cash Equivalents

Cash and cash equivalents include short-term highly liquid investments with original maturity dates of three months or less. Funds invested in the county treasurer's investment pool are considered cash equivalents.

D. Receivables

Receivables represent consists of amounts due from the federal, state and local governments, as well as other sources such as tuition and fees. Accounts receivable have been reduced to their net realizable value by recording an allowance for uncollectible amounts.

E. Inventories

Inventories are recorded at cost and consist primarily of expendable supplies held for consumption, cafeteria food, textbooks, and educational supplies. The cafeteria fund uses the first-in, first-out method and the bookstore uses the retail method. The cost is recorded as expense as the inventory is consumed.

F. Capital Assets

The District defines capital assets as assets with an initial unit cost of \$1,000 (except for land and construction in process, the threshold for which is \$25,000) or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight-line method over the estimated useful lives of the assets (3 to 50 years).

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

2. Summary of Significant Accounting Policies (continued)

G. Net Assets

The District's net assets are classified as follows:

- Invested in capital assets, net of related debt - This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- Restricted net assets - Restricted net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

H. Compensated Absences

Compensated absence costs are accrued when earned by employees. The District records a liability for unpaid employee vacation benefits. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. Employees are allowed to carry over a limited number of vacation days and load banking from year to year. At June 30, 2003, the liability was \$7,259,106.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

I. Deferred Revenues

Deferred revenues include amounts received for tuition and fees prior to the end of June 30, 2003 but related to the subsequent accounting period. These amounts include summer session tuition and fees related to sessions that begin in the current fiscal year and conclude in the following fiscal year. Deferred revenue also includes amounts received from grant and contracts that have not yet been earned by the District.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

2. Summary of Significant Accounting Policies (continued)

J. Property Taxes

Secured property taxes attach as an enforceable lien on property annually as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the District. Property taxes are recognized as revenues in the years for which they are levied.

K. Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Family Education Loans, and PLUS loans. Federal Programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 Audit of States, Local Governments, and Non-Profit Organizations, and the Compliance Supplement.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results may differ from those estimates.

M. Fair Value of Pooled Investments

The District records its investments in the Contra Costa County Treasury and the Local Agency Investment Fund ("LAIF") at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses, and changes in net assets.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

2. Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments at June 30, 2003 consisted of the following:

Pooled Funds	
Cash in County Treasury	\$14,374,601
Local Agency Investment Fund	12,379,175
Deposits	
Cash on hand and in banks	18,340,037
Revolving fund	<u>155,770</u>
Total cash and cash equivalents	<u>\$45,249,583</u>
Investments	
Municipal bonds	\$ 1,047,235
Corporate notes	3,268,499
U.S. Treasury bonds	5,508,727
U.S. government agencies' securities	<u>40,791,589</u>
Total investments	<u>\$50,616,050</u>

As provided for by the Education Code, Section 41001, a significant portion of the District's cash balances are deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is distributed to the participating funds based upon each fund's average cash balance during the distribution period. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits, in excess of federal depository insurance, by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. Alternatively, California law also allows financial institutions to secure an agency's deposits by pledging first deed of trust mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the agency.

The cash in Local Agency Investment Fund ("LAIF") is held by a separate agency. The State of California pools these funds with those of other local agencies in the State and invests the cash as prescribed by the California Government Code. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool. The District's investments with LAIF at June 30, 2003, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

3. Cash and Cash Equivalents and Investments (continued)

- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2003, the District had \$12,379,174 invested in LAIF, which had invested 2.327% of the pool investment funds in Structured Notes and Asset-Backed Securities.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

Securities of the U.S. Government, or its agencies
Small Business Administration Loans
Negotiable Certificates of Deposit
Bankers' Acceptances
Commercial Paper
Local Agency Investment Fund (State Pool) Deposits
Passbook Savings Account/Demand Deposits
Repurchase Agreements

At June 30, 2003, the District's investments, with a fair value of \$50,616,050, consist of municipal bonds, corporate notes, U.S Treasury Bonds, and securities of U.S. government agencies. Deposits, and specifically identifiable investments, are classified as to credit risk by three categories and summarized below as follows:

- Category 1 - includes securities that are insured or registered or which are held by the District, or by its agent in the District's name, and deposits insured or collateralized with securities held by the District;
- Category 2 - includes uninsured and unregistered securities which are held by the broker's or dealer's trust department or agent in the District's name, and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name;
- Category 3 - includes uninsured and unregistered securities held by the broker or dealer, or by its trust department or agent, but not in the District's name.

The District's investments are all considered to be Category 2 investments.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

4. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2003:

Student tuition and fees	\$ 1,307,092
Auxiliary enterprises and other operating activities	761,009
Federal, state, and local	10,242,552
Other	<u>61,677</u>
	12,372,330
Less allowance for doubtful accounts	<u>(734,489)</u>
Net accounts receivable	<u>\$11,637,841</u>

5. Capital Assets

Property, plant, and equipment consisted of the following at June 30:

	Balance <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>2003</u>
Land	\$ 1,696,574	\$11,954,642	\$ -	\$ 13,651,216
Improvements	13,925,859	-	-	13,925,859
Buildings	97,169,660	14,473,603	-	111,643,263
Construction in progress	9,971,310	-	4,056,161	5,915,149
Equipment	<u>30,973,597</u>	<u>909,680</u>	<u>-</u>	<u>31,883,277</u>
	153,737,000	27,337,925	4,056,161	177,018,764
Less accumulated depreciation	<u>(72,849,218)</u>	<u>(6,257,956)</u>	<u>-</u>	<u>(79,107,174)</u>
Property, plant, and equipment, net	<u>\$80,887,782</u>	<u>\$21,079,969</u>	<u>\$4,056,161</u>	<u>\$97,911,590</u>

Depreciation expense was \$6,257,956 for the year ended June 30, 2003.

6. Deferred Revenue

Deferred revenue consisted primarily of enrollment and other fees collected for the 2003-04 fiscal year, and categorical monies received during the 2002-03 fiscal year, and unspent at June 30, 2003. At June 30, 2003, the deferred revenue balance amounted to \$7,421,566.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

7. Debt

Debt obligations for the year ended June 30, 2003, is summarized as follows:

	Balance <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>2003</u>
Leases and bonds				
Capital lease obligations	\$ 754,600	\$ 837,823	\$ 446,072	\$ 1,146,351
Bonds payable, net of premium and issuance costs	<u>-</u>	<u>50,391,795</u>	<u>14,941</u>	<u>50,376,854</u>
Total lease and bond obligations	<u>754,600</u>	<u>51,229,618</u>	<u>461,013</u>	<u>51,523,205</u>
Other liabilities				
Compensated absences	5,516,363	1,742,743	-	7,259,106
Note payable	-	14,695,000	-	14,695,000
Certificates of Participation	<u>1,395,000</u>	<u>-</u>	<u>40,000</u>	<u>1,355,000</u>
Total other liabilities	<u>6,911,363</u>	<u>16,437,743</u>	<u>40,000</u>	<u>23,309,106</u>
Total debt obligations	<u>\$7,665,963</u>	<u>\$67,667,361</u>	<u>\$ 501,013</u>	<u>\$74,832,311</u>

8. Capitalized Lease Obligations

The District leases equipment under various capital leases. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2004	\$ 409,787
2005	335,056
2006	322,578
2007	83,204
2008	79,400
2009 - 2013	<u>79,399</u>
Total	1,309,424
Less amounts representing interest	<u>(163,073)</u>
Net minimum lease payments	1,146,351
Less current portion	<u>(345,974)</u>
Long term portion	<u>\$ 800,377</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2003

9. General Obligation Bonds Payable

On March 5, 2002, \$120,000,000 in general obligation bonds were authorized by voters under Proposition 39/Measure A in an election held within the Contra Costa Community College District. In July 2002, the District issued it's first series \$50,000,000 of Measure A General Obligation Bonds. The bonds require semi-annual principal payments beginning in August 2003 until August 2026 plus interest. Interest on the Bonds is payable semiannually on each February 1 and August, 1 commencing February 2003. Annual interest rates for the principal payments range from 3.5% to 6.0%. The bonds mature as follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,500,000	\$ 2,412,525	\$ 3,912,525
2005	1,900,000	2,340,775	4,240,775
2006	950,000	2,286,150	3,236,150
2007	1,000,000	2,252,025	3,252,025
2008	550,000	2,224,900	2,774,900
2009-2013	2,750,000	10,849,688	13,599,688
2014-2018	11,150,000	9,049,750	20,199,750
2019-2023	15,000,000	5,734,850	20,734,850
2024-2028	<u>15,200,000</u>	<u>1,570,000</u>	<u>16,770,000</u>
Totals	<u>\$50,000,000</u>	<u>\$38,720,663</u>	<u>\$88,720,663</u>

10. Note Payable

On July 1, 2002, the District issued \$14,695,000 of Tax and Revenue Anticipation Notes (TRANs) maturing on July 28, 2003, with interest at 3.00%, to provide for anticipated cash flow deficits from operations. The TRANs are a general obligation of the District, and are payable from cash receipts to be generated by the District during the year ending June 30, 2003. The revenues from the TRANs are deposited with the Contra Costa County Treasurer in a special trust fund established by the County.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

11. Certificates of Participation

In June 1996, the Financing Corporation issued \$1,605,000 of Certificates of Participation ("COPs") with effective interest rates of 4.5% to 5.35% maturing through 2021. The COPs proceeds were used to fund various construction projects. At June 30, 2003, \$1,355,000 remained outstanding on these Certificates of Participation.

The annual debt service requirements for the Certificates of Participation, as of June 30, 2003 are as follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 45,000	\$ 80,955	\$ 125,955
2005	45,000	78,413	123,413
2006	50,000	75,825	125,825
2007	50,000	72,900	122,900
2008	55,000	69,900	124,900
2009-2013	330,000	295,800	625,800
2014-2018	450,000	183,000	633,000
2019-2021	<u>330,000</u>	<u>40,200</u>	<u>370,200</u>
	<u>\$1,355,000</u>	<u>\$ 896,993</u>	<u>\$2,251,993</u>

12. Operating Leases

The District leases certain facilities and land with lease terms in excess of one year. The annual lease payments for these leases are as follows:

<u>Year(s) Ending June 30,</u>	<u>Total</u>
2004	\$1,259,898
2005	1,284,617
2006	510,240
2007	510,240
2008	510,240
2009 - 2013	1,379,280

Total rental expense in fiscal year 2002-03 under operating leases was \$1,088,051.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

13. Post-Retirement Health Benefits Obligation

The District offers subsidized health insurance benefits to all employees who retire from the District and meet the age and service requirements for eligibility. Such benefits are required through the District's union contracts. The amount of the District's contribution towards such annual premiums per employee, is determined according to the collective bargaining agreements or court settlements. The District recognizes the cost of providing those benefits and related administrative costs when paid. Active plan participants at June 30, 2003 totaled 593. Such payments for these retired employees totaled \$3,920,678 for the fiscal year ended June 30, 2003 and were recorded as expenses.

The District partially funds the Accumulated Post-Retirement Benefit Obligation ("APBO"), which is defined as the present value of the projected benefits that have already been earned. The actuarially determined APBO at June 30, 2002 was \$186,654,400. Investments set aside for funding purposes were \$24,113,182 at June 30, 2003.

14. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material to the District's basic financial statements.

15. Joint Powers Authorities

The District participates in Bay Area Community College District JPA ("BACCDJPA") and Contra Costa County Schools Insurance Group ("CCCSIG") for selected insurance coverage.

BACCDJPA administers a cooperative insurance program for member districts. Member districts are insured under certain liability and property insurance policies purchased by BACCDJPA. The following is a summary of financial information for BACCDJPA as of June 30, 2003, the most recent period available:

Total assets	\$4,203,134
Total liabilities	\$2,019,610
Total retained earnings	\$2,183,524
Total revenues	\$3,518,906
Total expenses	\$2,504,191

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

15. Joint Powers Authorities (continued)

CCCSIG provides a cooperative program of self-insurance for workers' compensation for member districts. CCCSIG is self-insured for individual workers' compensation claims less than \$500,000 and is covered by insurance for individual claims exceeding such amount to a maximum of \$10,000,000 per claim. Condensed financial information for CCCSIG as of June 30, 2002, the most recent period available is as follows:

Total assets	\$53,061,952
Total liabilities	\$36,614,893
Total retained earnings	\$16,447,059
Total revenues	\$14,399,483
Total expenses	\$22,615,007

The District also participates in the School Project for Utility Rate Reduction ("SPURR"). SPURR provides for the direct purchase of gas, electricity, and other utility services. SPURR also provides advisory services relative to utilities. The following is a summary of financial information for SPURR as of June 30, 2002, the most recent period available:

Total assets	\$10,155,004
Total liabilities	\$ 9,092,689
Total fund equity	\$ 1,062,315
Total revenues	\$29,966,134
Total expenses	\$29,969,977

The relationship between the District and BACCDJPA, CCCSIG, and SPURR is such that these Joint Powers Authorities are not considered to be component units of the District for financial reporting purposes.

16. Employee Retirement Plans

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teacher's Retirement System, and classified employees are members of the Public Employees' Retirement System.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

16. Employee Retirement Plans (continued)

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2002/03 was 2.85% of annual payroll through August 2002, at which time the rate was increased to 10.42%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$1,005,586, \$0, and \$0, respectively, and equaled 100% of the required contributions for each year.

STRS

Plan Description

The District contributes to the State Teachers' Retirement System ("STRS"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS offices, 7667 Folsom Boulevard, Sacramento, California 95826.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

16. Employee Retirement Plans (continued)

STRS (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2002-03 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$4,482,319, \$3,659,425, and \$3,471,789, respectively, and equaled 100% of the required contributions for each year.

Cash Balance Plan

The Cash Balance Plan (the "CB Plan") is an alternative STRS contribution plan for instructors. Instructors who chose not to sign up for STRS or FICA may participate in the CB Plan. The District contribution rate for the CB Plan for the fiscal year 2002-03 was 4% of annual payroll. Contributions for the 2002-03 year were \$385,683.

17. Functional Expenses

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies Materials and Other Expenses and Services</u>	<u>Depreciation</u>	<u>Total</u>
Instructional activities	\$ 59,474,339	\$13,292,162	\$ 3,280,289	\$ -	\$ 76,046,790
Academic support	12,530,403	2,257,698	2,067,693	-	16,855,794
Student services	11,510,340	2,398,556	11,358,253	-	25,267,149
Plant operations and maintenance	5,440,694	1,445,711	14,336,787	-	21,223,192
Instructional support services	13,238,775	4,252,725	5,076,169	-	22,567,669
Community services and economic development	1,120,652	190,065	655,842	-	1,966,559
Ancillary services and auxiliary operations	9,596,282	1,861,848	16,091,814	-	27,549,944
Physical property and related acquisitions	3,874	361	167,557	-	171,792
Depreciation expense	-	-	-	6,257,956	6,257,956
Total	\$112,915,359	\$25,699,126	\$53,034,404	\$6,257,956	\$197,906,845

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2003

18. Net Asset Designation

The District has designated \$24,356,356 of its unrestricted net assets toward retiree health benefits for its employees.

19. Change in Financial Statement Presentation

Net assets as of June 30, 2002, have been increased by \$557,239 from the amount presented in the 2002 financial statements to reflect the inclusion of Student Financial Aid, Loan and Scholarship funds which were reported as fiduciary funds in the prior year financial statements. This change was made to conform with the presentation adopted by the majority of California Community Colleges that adopted GASB Statement No. 35 in 2002.

SUPPLEMENTARY INFORMATION
FUND FINANCIALS
JUNE 30, 2003

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Balance Sheet - All Funds
June 30, 2003

	Current Funds		Plant	Total District	Auxiliary	Total Reporting
	Unrestricted	Restricted	Funds	(Memorandum Only)	Organizations	Entity (Memorandum Only)
ASSETS						
Cash and cash equivalents	\$ 38,210,049	\$ 2,171,728	\$ 9,007,662	\$ 49,389,439	\$ 117,050	\$ 49,506,489
Investments	20,227,421	372,572	30,016,057	50,616,050	-	50,616,050
Accounts receivable	1,482,873	6,153,805	3,240,154	10,876,832	761,009	11,637,841
Taxes receivable	579,199	-	-	579,199	-	579,199
Interest receivable	430,890	4,501	348,455	783,846	-	783,846
Notes receivable	114,535	-	-	114,535	-	114,535
Due from (to) other funds	252,221	(1,265,842)	860,352	(153,269)	153,269	-
Inventories	-	-	-	-	1,759,065	1,759,065
Prepaid items	2,075,785	35,719	-	2,111,504	-	2,111,504
Other assets	1,215	-	78,795	80,010	-	80,010
Capital assets, net	-	-	96,481,106	96,481,106	1,430,484	97,911,590
Total assets	\$ 63,374,188	\$ 7,472,483	\$ 140,032,581	\$ 210,879,252	\$ 4,220,877	\$ 215,100,129
LIABILITIES AND FUND EQUITY						
Liabilities						
Deposits payable	\$ -	\$ 7,134	\$ -	\$ 7,134	\$ 4,249,772	\$ 4,256,906
Accounts payable	2,342,012	3,140,925	1,837,770	7,320,707	(55,381)	7,265,326
Student refunds	323,418	-	-	323,418	-	323,418
Accrued liabilities	3,345,702	30,619	-	3,376,321	75,132	3,451,453
Deferred tuition and fees revenue	4,354,943	1,605	-	4,356,548	-	4,356,548
Deferred grants and contracts	-	2,963,924	-	2,963,924	-	2,963,924
Other deferred revenue	101,094	-	-	101,094	-	101,094
Amounts held in trust for others	-	603,062	-	603,062	-	603,062
Claims payable	-	-	-	-	117,050	117,050
Interest payable	440,850	-	1,019,280	1,460,130	-	1,460,130
Notes payable	14,695,000	-	-	14,695,000	-	14,695,000
Accrued compensated absences	-	-	-	-	-	-
Capital leases payable	-	-	1,146,351	1,146,351	-	1,146,351
Certificates of participation	-	-	1,355,000	1,355,000	-	1,355,000
Bonds payable	-	-	50,000,000	50,000,000	-	50,000,000
Total liabilities	25,603,019	6,747,269	55,358,401	87,708,689	4,386,573	92,095,262
Fund balances and net assets						
Fund balances						
Net investment in plant	-	-	43,979,755	43,979,755	-	43,979,755
Restricted	2,075,785	725,214	40,694,425	43,495,424	-	43,495,424
Unrestricted	35,695,384	-	-	35,695,384	-	35,695,384
Total fund balances	37,771,169	725,214	84,674,180	123,170,563	-	123,170,563
Net assets (deficit)						
Unrestricted	-	-	-	-	(165,696)	(165,696)
Total fund balances and net assets	37,771,169	725,214	84,674,180	123,170,563	(165,696)	123,004,867
Total liabilities and fund equity	\$ 63,374,188	\$ 7,472,483	\$ 140,032,581	\$ 210,879,252	\$ 4,220,877	\$ 215,100,129

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Statement of Changes in Fund Balances and Net Assets - All Funds
For the Year Ended June 30, 2003

	Current Funds		Plant Funds	Total District (Memorandum Only)	Auxiliary Organizations	Total Reporting Entity (Memorandum Only)
	Unrestricted	Restricted				
Revenues and other additions						
Local property taxes	\$ 65,642,869	\$ -	\$ 4,519,732	\$ 70,162,601	\$ -	\$ 70,162,601
State taxes and other revenue	4,753,320	3,584,075	-	8,337,395	-	8,337,395
State apportionments	52,528,468	135,554	7,614,241	60,278,263	-	60,278,263
Federal grants and contracts	3,521	11,592,028	-	11,595,549	-	11,595,549
State grants and contracts	18,523	12,118,729	-	12,137,252	-	12,137,252
Local grants and contracts	2,494,700	1,403,703	152,127	4,050,530	158,579	4,209,109
Tuitions and fees	11,519,751	1,102,703	-	12,622,454	274,748	12,897,202
Sales and services of education departments	150,995	-	-	150,995	-	150,995
Auxiliary enterprises	-	-	-	-	14,511,147	14,511,147
Investment income	2,074,294	45,777	1,599,865	3,719,936	-	3,719,936
Issuance of debt	-	-	50,420,820	50,420,820	-	50,420,820
Private gifts, grants, and contracts	5,023	-	5,827	10,850	-	10,850
Retirement of debt	-	-	486,072	486,072	-	486,072
Expended for capital assets	-	-	22,962,427	22,962,427	-	22,962,427
Total revenues	139,191,464	29,982,569	87,761,111	256,935,144	14,944,474	271,879,618
Expenditures						
Academic salaries	67,930,676	3,035,698	-	70,966,374	-	70,966,374
Classified salaries	31,885,807	4,168,576	-	36,054,383	4,151,859	40,206,242
Employee benefits	23,662,939	1,151,233	-	24,814,172	884,954	25,699,126
Books and supplies	3,907,788	1,361,128	-	5,268,916	167,343	5,436,259
Contract services and operating expenditures	8,802,279	5,804,161	-	14,606,440	9,951,903	24,558,343
Financial aid	1,265	10,224,153	-	10,225,418	-	10,225,418
Retirement of indebtedness	447,560	-	2,569,449	3,017,009	-	3,017,009
Expended for plant facilities	3,121,440	1,903,908	22,833,865	27,859,213	121,098	27,980,311
Utilities	2,913,968	183,111	-	3,097,079	67,650	3,164,729
Depreciation	-	-	5,766,318	5,766,318	491,638	6,257,956
Increase in debt	-	-	50,837,823	50,837,823	-	50,837,823
Other	2,077	124,000	-	126,077	60,102	186,179
Total expenditures	142,675,799	27,955,968	82,007,455	252,639,222	15,896,547	268,535,769
Mandatory transfers	(219,372)	219,372	-	-	-	-
Non-mandatory transfers	1,054,208	(2,520,286)	1,078,121	(387,957)	387,957	-
Total transfers among funds	834,836	(2,300,914)	1,078,121	(387,957)	387,957	-
Net increase (decrease) in fund balance	(2,649,499)	(274,313)	6,831,777	3,907,965	(564,116)	3,343,849
Net assets						
Beginning of year	40,420,668	999,527	77,842,403	119,262,598	398,420	119,661,018
End of year	\$ 37,771,169	\$ 725,214	\$ 84,674,180	\$ 123,170,563	\$ (165,696)	\$ 123,004,867

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
Current Funds - Unrestricted
June 30, 2003

	General Fund Unrestricted	General Fund Unrestricted - TRANS	Debt Service for Accrued Compensated Absences	Post- Retirement Health Benefits	Total Current Unrestricted Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 13,621,678	\$ 15,158,525	\$ 5,544,085	\$ 3,885,761	\$ 38,210,049
Investments	-	-	-	20,227,421	20,227,421
Accounts receivable	1,482,873	-	-	-	1,482,873
Taxes receivable	579,199	-	-	-	579,199
Interest receivable	22,314	158,885	-	249,691	430,890
Notes receivable	114,535	-	-	-	114,535
Due from (to) other funds	433,684	(181,463)	-	-	252,221
Prepaid items	2,075,785	-	-	-	2,075,785
Other assets	1,215	-	-	-	1,215
Total assets	<u>\$ 18,331,283</u>	<u>\$ 15,135,947</u>	<u>\$ 5,544,085</u>	<u>\$ 24,362,873</u>	<u>\$ 63,374,188</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 2,335,396	\$ 97	\$ -	\$ 6,519	\$ 2,342,012
Student refunds	323,418	-	-	-	323,418
Accrued liabilities	3,345,702	-	-	-	3,345,702
Deferred tuition and fees revenue	4,354,943	-	-	-	4,354,943
Other deferred revenue	101,094	-	-	-	101,094
Interest payable	-	440,850	-	-	440,850
Notes payable	-	14,695,000	-	-	14,695,000
Total liabilities	<u>10,460,553</u>	<u>15,135,947</u>	<u>-</u>	<u>6,519</u>	<u>25,603,019</u>
Fund balances (deficits)					
Fund balances					
Restricted	2,075,785	-	-	-	2,075,785
Unrestricted	5,794,945	-	5,544,085	24,356,354	35,695,384
Total fund balance	<u>7,870,730</u>	<u>-</u>	<u>5,544,085</u>	<u>24,356,354</u>	<u>37,771,169</u>
Total liabilities and fund balances	<u>\$ 18,331,283</u>	<u>\$ 15,135,947</u>	<u>\$ 5,544,085</u>	<u>\$ 24,362,873</u>	<u>\$ 63,374,188</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Fund Balance
Current Funds - Unrestricted
For the Year Ended June 30, 2003

	General Fund Unrestricted	General Fund Unrestricted - TRANS	Debt Service for Accrued Compensated Absences	Post- Retirement Health Benefits	Total Current Unrestricted Funds
Revenues					
Local property taxes	\$ 65,642,869	\$ -	\$ -	\$ -	\$ 65,642,869
State taxes and nther revenue	4,753,320	-	-	-	4,753,320
State apportionments	52,528,468	-	-	-	52,528,468
Federal grants and contracts	3,521	-	-	-	3,521
State grants and contracts	18,523	-	-	-	18,523
Local grants and contracts	2,494,700	-	-	-	2,494,700
Tuitions and fees	11,519,751	-	-	-	11,519,751
Auxiliary enterprise sales and charges	150,995	-	-	-	150,995
Investment income	175,010	580,447	-	1,318,837	2,074,294
Private gifts, grants, and contracts	5,023	-	-	-	5,023
Total revenues	<u>137,292,180</u>	<u>580,447</u>	<u>-</u>	<u>1,318,837</u>	<u>139,191,464</u>
Expenditures					
Academic salaries	67,930,676	-	-	-	67,930,676
Classified salaries	31,885,807	-	-	-	31,885,807
Employee benefits	23,662,939	-	-	-	23,662,939
Books and supplies	3,907,788	-	-	-	3,907,788
Contract services and operating expenditures	8,748,036	38,802	-	15,441	8,802,279
Financial aid	1,265	-	-	-	1,265
Retirement of indebtedness	6,710	440,850	-	-	447,560
Expended for plant facilities	3,121,440	-	-	-	3,121,440
Utilities	2,913,968	-	-	-	2,913,968
Other	2,077	-	-	-	2,077
Total expenditures	<u>142,180,706</u>	<u>479,652</u>	<u>-</u>	<u>15,441</u>	<u>142,675,799</u>
Mandatory transfers	(219,372)	-	-	-	(219,372)
Non-mandatory transfers	1,157,193	(102,985)	-	-	1,054,208
Total transfers among funds	<u>937,821</u>	<u>(102,985)</u>	<u>-</u>	<u>-</u>	<u>834,836</u>
Change in fund balance	<u>(3,950,705)</u>	<u>(2,190)</u>	<u>-</u>	<u>1,303,396</u>	<u>(2,649,499)</u>
Fund balance					
Beginning of year	<u>11,821,435</u>	<u>2,190</u>	<u>5,544,085</u>	<u>23,052,958</u>	<u>40,420,668</u>
End of year	<u>\$ 7,870,730</u>	<u>\$ -</u>	<u>\$ 5,544,085</u>	<u>\$ 24,356,354</u>	<u>\$ 37,771,169</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
Current Funds - Restricted
June 30, 2003

	General Fund Restricted	Student Financial Aid	Student Scholarship and Loan	Associated Students	Student Body Center Building and Operating	Total Current Restricted Funds
ASSETS						
Cash and cash equivalents	\$ 1,322,283	\$ 146,537	\$ 167,232	\$ 535,676	\$ -	\$ 2,171,728
Investments	-	-	372,572	-	-	372,572
Accounts receivable	6,062,521	91,284	-	-	-	6,153,805
Interest receivable	-	-	4,501	-	-	4,501
Due from (to) other funds	(1,176,282)	(159,742)	(4,338)	106,293	(31,773)	(1,265,842)
Prepaid expenses	35,719	-	-	-	-	35,719
Total assets	\$ 6,244,241	\$ 78,079	\$ 539,967	\$ 641,969	\$ (31,773)	\$ 7,472,483
LIABILITIES AND FUND BALANCES						
Liabilities						
Deposits payable	\$ -	\$ -	\$ -	\$ -	\$ 7,134	\$ 7,134
Accounts payable	3,064,032	76,423	470	-	-	3,140,925
Accrued liabilities	30,619	-	-	-	-	30,619
Deferred tuition and fees revenue	1,605	-	-	-	-	1,605
Deferred grants and contracts	2,961,650	2,274	-	-	-	2,963,924
Other deferred revenue	-	-	-	-	-	-
Amounts held in trust for others	-	-	-	641,969	(38,907)	603,062
Total liabilities	6,057,906	78,697	470	641,969	(31,773)	6,747,269
Fund balances (deficits)						
Fund balances						
Restricted	186,335	(618)	539,497	-	-	725,214
Total liabilities and fund balances	\$ 6,244,241	\$ 78,079	\$ 539,967	\$ 641,969	\$ (31,773)	\$ 7,472,483

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Fund Balance
Current Funds - Restricted
For the Year Ended June 30, 2003

	General Fund Restricted	Student Financial Aid	Student Scholarship and Loan	Total Restricted Funds
Revenues				
State taxes and other revenue	\$ 3,584,075	\$ -	\$ -	\$ 3,584,075
State apportionments	135,554	-	-	135,554
Federal grants and contracts	3,477,966	8,114,062	-	11,592,028
State grants and contracts	11,270,150	848,579	-	12,118,729
Local grants and contracts	1,303,222	-	100,481	1,403,703
Tuitions and fees	1,102,703	-	-	1,102,703
Investment income (loss)	-	-	45,777	45,777
Total revenues	<u>20,873,670</u>	<u>8,962,641</u>	<u>146,258</u>	<u>29,982,569</u>
Expenditures				
Academic salaries	3,035,698	-	-	3,035,698
Classified salaries	4,168,576	-	-	4,168,576
Employee benefits	1,151,233	-	-	1,151,233
Books and supplies	1,361,128	-	-	1,361,128
Contract services and operating expenditures	5,804,060	-	101	5,804,161
Financial aid	1,244,066	8,962,641	17,446	10,224,153
Expended for plant facilities	1,903,908	-	-	1,903,908
Utilities	183,111	-	-	183,111
Other	-	-	124,000	124,000
Total expenditures	<u>18,851,780</u>	<u>8,962,641</u>	<u>141,547</u>	<u>27,955,968</u>
Mandatory transfers	219,372	-	-	219,372
Non-mandatory transfers	(2,520,286)	-	-	(2,520,286)
Total transfers among funds	<u>(2,300,914)</u>	<u>-</u>	<u>-</u>	<u>(2,300,914)</u>
Revenues over (under) expenditures	(279,024)	-	4,711	(274,313)
Fund balance				
Beginning of year	<u>465,359</u>	<u>(618)</u>	<u>534,786</u>	<u>999,527</u>
End of year	<u>\$ 186,335</u>	<u>\$ (618)</u>	<u>\$ 539,497</u>	<u>\$ 725,214</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
Plant Funds
June 30, 2003

	Unexpended Plant	Retirement of Indebtedness	Investment in Plant	Total Plant Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,050,328	\$ 2,957,334	\$ -	\$ 9,007,662
Investments	30,016,057	-	-	30,016,057
Accounts receivable	3,240,154	-	-	3,240,154
Interest receivable	336,184	12,271	-	348,455
Due from (to) other funds	775,815	84,537	-	860,352
Other assets	-	78,795	-	78,795
Capital assets, net	-	-	96,481,106	96,481,106
Total assets	<u><u>\$ 40,418,538</u></u>	<u><u>\$ 3,132,937</u></u>	<u><u>\$ 96,481,106</u></u>	<u><u>\$ 140,032,581</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 1,837,770	\$ -	\$ -	\$ 1,837,770
Interest payable	-	1,019,280.00	-	1,019,280
Capital lease obligation	-	-	1,146,351	1,146,351
Certificates of participation	-	-	1,355,000	1,355,000
Bonds payable	-	-	50,000,000	50,000,000
Total liabilities	<u><u>1,837,770</u></u>	<u><u>1,019,280</u></u>	<u><u>52,501,351</u></u>	<u><u>55,358,401</u></u>
Fund balances				
Net investment in plant	-	-	43,979,755	43,979,755
Restricted	38,580,768	2,113,657	-	40,694,425
Total fund balance (deficit)	<u><u>38,580,768</u></u>	<u><u>2,113,657</u></u>	<u><u>43,979,755</u></u>	<u><u>84,674,180</u></u>
Total liabilities and fund balances	<u><u>\$ 40,418,538</u></u>	<u><u>\$ 3,132,937</u></u>	<u><u>\$ 96,481,106</u></u>	<u><u>\$ 140,032,581</u></u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Fund Balance
Plant Funds
For the Year Ended June 30, 2003

	Unexpended Plant	Retirement of Indebtedness	Investment In Plant	Total Plant Funds
Revenues and other additions				
Local property taxes	\$ 580,709	\$ 3,939,023	\$ -	\$ 4,519,732
State apportionments	7,614,241	-	-	7,614,241
Local grants and contracts	28,952	123,175	-	152,127
Investment income	1,587,218	12,647	-	1,599,865
Other financing sources	50,029,025	391,795	-	50,420,820
Private gifts, grants, and contracts	5,827	-	-	5,827
Retirement of debt	-	-	486,072	486,072
Expended for capital assets	-	-	22,962,427	22,962,427
Total revenues	<u>59,845,972</u>	<u>4,466,640</u>	<u>23,448,499</u>	<u>87,761,111</u>
Expenditures				
Retirement of indebtedness	-	2,569,449	-	2,569,449
Expended for plant facilities	22,833,865	-	-	22,833,865
Depreciation expense	-	-	5,766,318	5,766,318
Increase in debt	-	-	50,837,823	50,837,823
Total expenditures	<u>22,833,865</u>	<u>2,569,449</u>	<u>56,604,141</u>	<u>82,007,455</u>
Mandatory transfers	-	-	-	-
Non-mandatory transfers	1,078,121	-	-	1,078,121
Total transfers among funds	<u>1,078,121</u>	<u>-</u>	<u>-</u>	<u>1,078,121</u>
Revenue over (under) expenditures	<u>38,090,228</u>	<u>1,897,191</u>	<u>(33,155,642)</u>	<u>6,831,777</u>
Fund balance				
Beginning of year	<u>490,540</u>	<u>216,466</u>	<u>77,135,397</u>	<u>77,842,403</u>
End of year	<u>\$ 38,580,768</u>	<u>\$ 2,113,657</u>	<u>\$ 43,979,755</u>	<u>\$ 84,674,180</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Balance Sheet
Auxiliary Organizations
June 30, 2003

ASSETS

	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Regional Training Institute</u>	<u>Information Technology</u>	<u>Self- Insurance</u>	<u>Total Auxiliary Funds</u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 117,050	\$ 117,050
Accounts receivable	740,023	-	-	20,986	-	761,009
Due from (to) other funds	(111,085)	(6,051)	(163,938)	434,343	-	153,269
Inventory	1,750,975	8,090	-	-	-	1,759,065
Capital assets, net	23,164	4,953	202,459	1,199,908	-	1,430,484
Total assets	\$ 2,403,077	\$ 6,992	\$ 38,521	\$ 1,655,237	\$ 117,050	\$ 4,220,877

LIABILITIES AND NET ASSETS

Liabilities						
Deposits payable	\$ 1,603,799	\$ 52,715	\$ 477,067	\$ 2,116,191	\$ -	\$ 4,249,772
Accounts payable	(98,109)	9,022	19,429	14,277	-	(55,381)
Accrued liabilities	75,132	-	-	-	-	75,132
Claims payable	-	-	-	-	117,050	117,050
Total liabilities	1,580,822	61,737	496,496	2,130,468	117,050	4,386,573
Net assets (deficit)						
Unrestricted	822,255	(54,745)	\$ (457,975)	(475,231)	-	(165,696)
Total net assets (deficits)	822,255	(54,745)	(457,975)	(475,231)	-	(165,696)
Total liabilities and net assets	\$ 2,403,077	\$ 6,992	\$ 38,521	\$ 1,655,237	\$ 117,050	\$ 4,220,877

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Combining Statement of Changes in Net Assets
Auxiliary Organizations
For the Year Ended June 30, 2003

	Bookstore	Cafeteria	Regional Training Institute	Information Technology	Total Auxiliary Funds
Revenues					
Local grants and contracts	\$ -	\$ 60,466	\$ 98,113	\$ -	\$ 158,579
Tuitions and fees	274,748	-	-	-	274,748
Auxiliary enterprises sales and charges	11,068,116	1,260,994	-	2,182,037	14,511,147
Total revenues	<u>11,342,864</u>	<u>1,321,460</u>	<u>98,113</u>	<u>2,182,037</u>	<u>14,944,474</u>
Expenditures					
Classified salaries	1,787,648	517,486	344,836	1,501,889	4,151,859
Employee benefits	385,133	98,631	79,794	321,396	884,954
Books and supplies	50,277	21,156	69,757	26,153	167,343
Contract services and operating expenditures	8,674,137	693,582	552,491	31,693	9,951,903
Expended for plant facilities	1,948	24,539	4,105	90,506	121,098
Utilities	23,075	-	29,031	15,544	67,650
Depreciation	10,733	4,865	81,074	394,966	491,638
Other	60,102	-	-	-	60,102
Total expenditures	<u>10,993,053</u>	<u>1,360,259</u>	<u>1,161,088</u>	<u>2,382,147</u>	<u>15,896,547</u>
Non-mandatory transfers	<u>(287,752)</u>	<u>48,004</u>	<u>605,000</u>	<u>22,705</u>	<u>387,957</u>
Revenues over (under) expenditures	<u>62,059</u>	<u>9,205</u>	<u>(457,975)</u>	<u>(177,405)</u>	<u>(564,116)</u>
Net assets (deficit)					
Beginning of year	<u>760,196</u>	<u>(63,950)</u>	<u>-</u>	<u>(297,826)</u>	<u>398,420</u>
End of year	<u>\$ 822,255</u>	<u>\$ (54,745)</u>	<u>\$ (457,975)</u>	<u>\$ (475,231)</u>	<u>\$ (165,696)</u>

See Notes to Fund Financials.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Fund Financials
For the Year Ended June 30, 2003

1. Basis of Presentation

The accompanying fund financials are not a required part of the basic financial statements of the District, but are provided for additional information. The fund financials differ from the basic financial statements in that they do not include the full liability for compensated absences and do not reflect debt issuance premiums and debt issuance costs as adjustments to bonds payable and interest expense.

SUPPLEMENTARY INFORMATION
FEDERAL AND STATE REQUIRED
JUNE 30, 2003

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Federal Expenditures
National Science Foundation			
Education and Human Resources	47.076		\$ 181,972
Subtotal Direct Programs			181,972
Pass-Through Programs From:			
Pass through The Research Corporation of the University of Hawaii Education and Human Resources	47.076	5865/0202452	61,782
Total National Science Foundation			243,754
U.S. Department of Energy			
Office of Science Financial Assistance Program	81.049		227,774
Total U.S. Department of Energy			227,774
U.S. Department of Education			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007		452,271
Federal Family Education Loans (FFEL)	84.032		172,168
Federal College Work-Study Program (FWS)	84.033		305,834
Federal Pell Grant Program (PELL)	84.063		7,545,819
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		123,570
Total Student Financial Aid Cluster			8,599,662
Higher Education-Institutional Aid	84.031		1,108,280
TRIO - Talent Search	84.044		257,339
Undergraduate International Studies and Foreign Language Programs	84.116		304,018
Minority Science and Engineering Improvements	84.120		131,676
Child Care Means Parents in School	84.335		23,931
Subtotal Direct Programs			10,424,906
Pass-Through Programs From:			
Pass through California Community Colleges Chancellor's Office Vocational Education-Basic Grants to States	84.048	02-C01-012	555,979
Tech-Prep Education	84.243	02-139-020	232,852
Pass through California Department of Education Tech-Prep Education	84.243	0362	277,619
Subtotal Pass-Through Programs			1,066,450
Total U.S. Department of Education			11,491,356
U.S. Department of Health and Human Services			
Pass-Through Programs From:			
San Francisco Community College District Child Care and Development Block Grant	93.575	93:575	4,093
California Community Colleges Chancellor's Office Head Start	93.600	3549	94,060
Foster Care - Title IV-E	93.658	n/a	67,782
Subtotal Pass-Through Programs			165,935
Total U.S. Department of Health and Human Services			165,935
Total Expenditures of Federal Awards			\$ 12,128,819

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of State Financial Awards
For the Year Ended June 30, 2003

PROGRAM NAME	PROGRAM REVENUES				PROGRAM EXPENDITURES
	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total
State Awards					
AB602 Board Fin Aid Staffing	\$ 120,112	\$ 6,726	\$ 7,081	\$ 119,757	\$ 119,757
ADN Enrollment	98,464	9,549	5,399	102,615	102,615
Basic Skills ESL	6,387	-	4,967	1,420	1,420
CalWORKS	871,783	-	92,063	779,719	779,719
CAN/Assist - CCC	7,657	-	4,058	3,599	3,599
CAN/Assist - DVC	5,025	-	25	5,000	5,000
CAN/Assist - LMC	5,000	-	-	5,000	5,000
CARE	427,609	-	164,386	263,223	263,223
CENTRAM II & Administration	300,411	38,323	46	338,687	338,687
Certified Software Development Specialist	260,440	53,559	130,220	183,779	183,779
Child Dev Careers & overhead - LMC	-	37,041	-	37,041	37,041
Child Development Training Consortium - LMC	6,215	236	-	6,452	6,452
CNET (Telecomm Infrastructure) TTIP	1,055,826	-	408,386	647,440	647,440
Community Service Learning	10,363	-	1	10,362	10,362
Convergent Technologies	54,906	-	1,763	53,143	53,143
DSPS	1,993,801	-	174,898	1,818,903	1,818,903
Electronic Data Exchange	87,500	-	-	87,500	87,500
Environmental Technical State Leadership	106,374	24,497	28,008	102,863	102,863
EOPS	2,304,798	-	237,099	2,067,699	2,067,699
Faculty and Staff Diversity	37,213	-	28,891	8,322	8,322
Faculty Joint Project	6,250	-	1,156	5,094	5,094
FIPSE Faculty Support	12,000	-	-	12,000	12,000
Foster Parent Training	187,411	271,824	-	459,234	459,234
Foster Relative Training - CCC	30,000	-	-	30,000	30,000
FSS Institutionalization	-	100	-	100	100
Future of Science	467	502	-	969	969
Heritage Project - LMC	37,400	-	-	37,400	37,400
Independent Living - CCC	2,500	10,400	-	12,900	12,900
Independent Living - LMC	-	13,540	-	13,540	13,540
Instructional Equipment	2,426,632	18,789	843,712	1,601,709	1,601,709
Job Development Incentive Training	44,922	1,089	44,182	1,829	1,829
Journal of Public Policy	4,167	2,318	-	6,485	6,485
Library Literacy Project	8,750	-	7,606	1,144	1,144
Lottery	927,925	-	8,859	919,067	919,067
Marina Center	18,344	-	-	18,344	18,344
Marketing CCC CalWORKS/TANF	7,500	-	1	7,499	7,499
Matriculation	1,423,916	-	91,621	1,332,295	1,332,295
Net Team	205,556	46,084	-	251,640	251,640
PAESMEM	4,358	2,446	-	6,804	6,804
PERCCS II	-	-	-	-	-
Puente Project	20,000	1,924,980	16,902	1,928,078	1,928,078
Staff Development	171,496	-	135,969	35,527	35,527
State Pre-School Grant (1)	873,965	265,247	-	1,139,212	1,139,212
Student Success	907	-	907	-	-
Supporting Community College Faculty	-	2,579	-	2,579	2,579
TANF	79,616	5	11,839	67,782	67,782
Teacher & Reading Development Partnership	137,500	69,500	-	207,000	207,000
Teacher Path	91,312	139,896	-	231,208	231,208
Transfer & Articulation	82,041	-	64,606	17,435	17,435
Total state programs	\$ 14,564,819	\$ 2,939,230	\$ 2,514,652	\$ 14,989,397	\$ 14,989,397

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Reconciliation of Annual Financial and Budget Report
(Form CCFS-311) with Audited Basic Financial Statements
For the Year Ended June 30, 2003

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund
June 30, 2003 Annual Financial and Budget Report Fund balance per CCFS-311	\$ 7,956,047	\$ 211,777	\$ 38,201,745	\$ 7,820,509
Adjustments and reclassifications increases (decreases) fund balance:				
Reclassification of interfund operating transfers	114,211	4,481	379,023	(379,023)
Other	(2)	-	-	(2)
Fund balance per audit (not individually presented), June 30, 2003	\$ 8,070,256	\$ 216,258	\$ 38,580,768	\$ 7,441,484

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Workload Measures for State General Apportionment
Annualized Attendance
June 30, 2003

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
Credit Full-time equivalent student (FTES)			
Weekly census	22,793	-	22,793
Daily census	1,982	-	1,982
Actual hours of attendance	1,895	-	1,895
Independent study/work experience	121	-	121
Summer intersession	<u>4,076</u>	<u>-</u>	<u>4,076</u>
Total	<u>30,867</u>	<u>-</u>	<u>30,867</u>
Noncredit FTES			
Actual hours of attendance	475	-	475
Summer intersession	<u>40</u>	<u>-</u>	<u>40</u>
Total	<u>515</u>	<u>-</u>	<u>515</u>
Gross square footage	<u>1,340,985</u>	<u>-</u>	<u>1,340,985</u>
FTES in leased facilities	<u>613</u>	<u>-</u>	<u>613</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Annual Apprenticeship Hours of Instruction
Annualized Attendance
June 30, 2003

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
Reporting periods			
July 1 - December 31, 2002	41,924	-	41,924
January 1 - April 15, 2003	-	-	-
April 16 - June 30, 2003	<u>33,427</u>	<u>-</u>	<u>33,427</u>
Total	<u>75,351</u>	<u>-</u>	<u>75,351</u>

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
OTHER INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2003

ARMANINO MCKENNA LLP

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12667 Alcosta Blvd., Suite 500
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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Contra Costa Community College District (the "District") for the fiscal year ended June 30, 2003, and have issued our report thereon dated November 13, 2003.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the following compliance requirements, set forth in Section 400, State Compliance Requirements of the *Contracted District Audit Manual* issued by the California Community Colleges Chancellor's Office (July 2003). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. The following are the specific compliance requirements set forth:

Salaries of Classroom Instructors (50 Percent Law)

Requirement

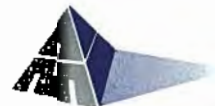
Each district's salaries of classroom instructors shall equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the *Education Code*.

Apportionment for Instructional Service Agreements/Contracts

Requirement

This compliance requirement applies to instructional service agreements/contracts in which:

1. instruction is conducted at the contractor's facility, and
2. the contractor's employees are used to instruct classes, and
3. the district is paying the contractor on a per unit basis for use of facilities and/or reimbursement for employees' salaries, and
4. the contractor is paying the college/district enrollment fees for the students, and
5. the district is reporting the FTES from these classes.



Community colleges may claim FTES for classes given at a contractor's site and use the contractor's employees as instructors for the classes. In order for these FTES to be eligible for State funding the following regulatory requirements must be met:

1. Programs must be approved by the State Chancellor's Office and courses must be part of those approved programs or the college must have received delegated authority to separately approve those courses,
2. Courses must be open to the general public,
3. Students must be under the immediate supervision of a district employee,
4. The district employee must possess valid credentials or meet the minimum qualifications required for the assignment, and
5. the district and public or private agency, individual, or group of individuals with whom the district has a contract and/or instructional agreement does not receive full compensation for the direct education costs for the conduct of the class from any other source.

Required Data Elements

Requirement

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

1. Credit Full-Time Equivalent Student ("FTES") in weekly census, daily census, actual hour of attendance, and Apprenticeship courses.
2. Noncredit FTES in actual hour of attendance and distance education courses.
3. Credit Student Headcount Data.
4. Gross Square Footage and FTES in less than 100% leased space.

Required Determination for Credit Courses

Requirement

Each district must act to ensure that only the attendance of California residents is claimed for State support of credit classes.

Students Actively Enrolled

Requirement

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

Concurrent Enrollment of K-12 Students in Community College Credit Courses

Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with all the following:

1. District must have parental consent and school principal's recommendation to attend community college, subject to a maximum percentage of students per school.
2. Courses must be open to the general public and may not be limited to specialized clientele, nor may any group of individuals receive notice of the course offering prior to the general public.
3. Courses are not eligible for apportionment if they have not been properly approved by the district and, where applicable, by the Chancellor's Office, or are not taught in accordance with a locally established course outline.
4. Educational activities of students used in computing FTES must be under the immediate supervision and control of an academic employee of the district who is authorized to render service in that capacity.
5. Courses taught under a contract with a public or private agency must be under contract with both the agency and with the individual who will provide the instruction, and the individual must be qualified under the minimum qualifications for community college instructors.
6. Courses fully funded through another source are not permitted to receive apportionment, nor may the district receive apportionment if the K-12 school district is claiming apportionment for the attendance of its pupils in the community college courses.
7. Courses may not be restricted to K-12 pupils either directly on the basis of age or indirectly on the basis of specific grade levels that impact persons on the basis of age.
8. Summer courses may admit K-12 pupils who have demonstrated adequate preparation in the discipline to be studied and have availed themselves of all opportunities to enroll in an equivalent course at the school of attendance.

Uses of Matriculation Funds

Requirement

Districts are required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and local funded portions, must be consistent with the district's State-approved matriculation plan and identifiable within the activities claimable against state matriculation funds. This 25-percent-State-funds, 75-percent-local-funds ratio applies district-wide, not per college or within individual activity groups.

Districts must use the annual State matriculation allocation to expand levels of services that were in place in 1986-87, or to add entirely new services. The State allocation may not be used to supplant district funded services, including personnel costs, that existed in 1986-87 or before.

Allocation of Costs (DSP&S and EOP&S)

Requirement

Salaries of instructors teaching FTES generating classes, school counselors providing advisement, Student Services at the Dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against either Extended Opportunity Programs and Services (EOP&S) or Disabled Student Program and Services (DSP&S) accounts unless their activities require them to perform additional functions for the EOP&S or DSP&S programs that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S and DSP&S.

EOP&S Administrator/Director Requirements

Requirement

Districts accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S director/administrator at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over-and-above general supervision of EOP&S activities.

Gann Limit Calculation

Requirement

Each district shall calculate and adopt an appropriation limit annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of annual financial audits.

Enrollment Fee

Requirement

Community college districts are required to report the total amount the students should have paid for enrollment fees for purposes of determining each district's share of apportionments annually.

Scheduled Maintenance Program

Requirement

Funds provided by the State must be to supplement, not supplant, district deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and the District's match for the Scheduled Maintenance Program for the year being audited.

Open Enrollment

Requirement

Community college districts shall comply with the Cal. Code Regs., title 5, provisions related to open enrollment by the general public for all the courses being submitted for state apportionment funding.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



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November 13, 2003

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the basic financial statements of Contra Costa Community College District (the "District") as of and for the year ended June 30, 2003, and have issued our report thereon dated November 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and others within the District, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


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November 13, 2003

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Contra Costa Community College District
Martinez, California

Compliance

We have audited the compliance of Contra Costa Community College District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management and others within the District, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


ARMANINO McKENNA LLP

November 13, 2003

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section I - Summary of Auditors' Results
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Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

1. U.S. Department of Education (Student Financial Aid Cluster)
 - Federal Supplemental Educational Opportunity Grant Program (SEOG) (CFDA #84.007)
 - Federal Family Education Loans (CFDA #84.032)
 - Federal College Work-Study Program (CFDA #84.033)
 - Federal Pell Grant Program (CFDA #84.063)
 - Scholarships for Health Professions Students from Disadvantaged Backgrounds (CFDA #93.925)
2. Fund for the Improvement of Postsecondary Education (CFDA #84.116)
3. Tech-Prep Education (CFDA #84.243)

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Dollar threshold used to distinguish between type A and type B programs:	\$363,865
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year Audit Findings
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No prior year audit findings.

Section V - Corrective Action Plan

There were neither current year findings nor questioned costs (see Section III above).

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
State Compliance Findings and Recommendations
June 30, 2003

Current Year Findings

There were none.

Prior Year Findings

There were none.